

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7533

Investigation Re: Establishment of Price for Standard)
Offer under the Sustainably Priced Energy Enterprise)
Development ("SPEED") program)

Order entered: 3/19/2010

ORDER CLARIFYING STANDARD-OFFER PRICES

On January 15, 2010, the Vermont Public Service Board ("Board") issued an Order pursuant to 30 V.S.A. § 8005(b)(2) setting prices under the standard-offer program established by that statutory provision. For projects other than solar projects, the Board concluded that a portion of the contract price should escalate with inflation. This determination reflected the fact that these projects were expected to have material operating and maintenance expenses that would increase in time by inflation. Attachment II to the Order set out the specific prices that would be paid project developers each year based upon the inflation rate that we found to be reasonable.

Since issuance of the Order, the Board has received inquiries concerning the prices that would apply each year. This arises because the prices in Attachment II are established on a calendar-year basis, which appears to be inconsistent with the methodology used to establish the non-levelized component. In addition, Attachment II identifies one price that would apply in both 2010 and 2011. The price escalation begins in 2012, with prices specifically enumerated for each year from 2012 through 2030. This creates some ambiguity. First, it would appear to create a situation in which a project commissioned in 2010 would not have any price escalation after the first year of operation, but would have to wait until 2012. Second, it would appear to allow a project developer that began operation in 2012 to have an initial rate that has already been partially adjusted to reflect inflation, thus allowing for total revenues greater than the developer would obtain under a levelized price.

In establishing the prices set out in the January 15, 2010, Order, the Board first determined the appropriate levelized price for the project based upon the cost models. Under our Order, 30 % of the price for projects (other than solar projects) was not collected on a levelized

basis. Instead, we assumed that it would escalate over time at an inflation rate of 1.5%. This component of the price was calculated so as to produce the same revenue over the life of a project as would the fully levelized rate. As a result, prices in the early years of a standard-offer contract are lower than the levelized rate; the reverse is true for the later years.

It is appropriate that the payments under the standard-offer program match the assumptions that were used to establish them. For this reason, the prices listed in Attachment II to the Order under the header for 2010 or 2011 shall apply to year one of operation, no matter which year the project actually begins operation. These prices shall then escalate annually, so that the prices set out under the header for 2012 will apply to year two of each project's operation. Subsequent years will be treated similarly. The price adjustment will occur on the anniversary of the project's commencement of power generation.

SO ORDERED.

Dated at Montpelier, Vermont, this 19th day of March, 2010.

<u>s/ James Volz</u>)	
)	
)	PUBLIC SERVICE
<u>s/ David C. Coen</u>)	
)	BOARD
)	
)	OF VERMONT
<u>s/ John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: March 19, 2010

ATTEST: s/ Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.